

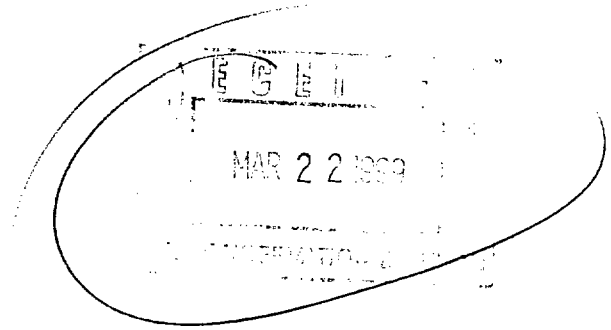
JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



March 20, 1999

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Renewed administrative application of Santa Fe Energy Resources, Inc. ("Santa Fe") for approval of an unorthodox gas well location:

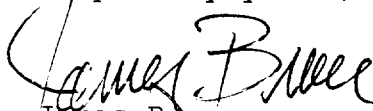
Rio Blanco "4" Fed. Com. Well No. 2
660 feet FSL & 660 feet FWL
S½ §4, Township 23 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

An administrative application for the above well was filed on January 8, 1999. Due to written objections filed with the Division by Conoco Inc., Kaiser-Francis Oil Company, and Amerada Hess Corporation, the matter was set for hearing (Division Case No. 12131). Santa Fe has now obtained waivers to the location from all objecting parties (copies enclosed). As a result, Santa Fe re-submits the application for administrative approval. If the application can now be processed administratively, Santa Fe also requests that Case No. 12131 be dismissed.

Please call me if you have any questions. Thank you.

Very truly yours,


James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

cc: Steven J. Smith
W. Thomas Kellahin



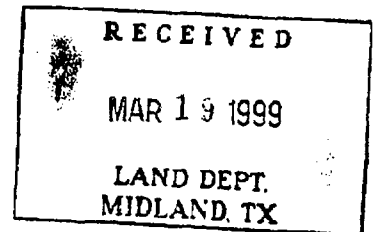
Santa Fe Energy Resources, Inc.

VIA FAX AND U.S. MAIL

(915) 686-5422

March 9, 1999

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705
ATTN: Mr. Charles M. Rule



Re: Unorthodox Gas Well Location
Rio Blanco "4" Fed COM well No. 2
660' FSL & 660' FWL, Sec. 4, T-23-S, R-34-E
Lea County, New Mexico
SFERI Contract No. NM-30,256-002

Dear Mr. Rule:

Reference is made to Santa Fe Energy Resources, Inc.'s request for administrative approval of the referenced unorthodox well location. As you know Conoco Inc., Amerada Hess Corporation and Kaiser-Francis Oil Company each filed objections to the proposed location.

In an effort to reach a mutually acceptable compromise, Santa Fe hereby offers a guarantee that, in exchange for waivers from Amerada Hess, Conoco and Kaiser-Francis of Santa Fe's unorthodox location in Section 4, Santa Fe will (i) grant a waiver of a mirror unorthodox location for the drilling of a Morrow test in Section 5, T-23-S, R-34-E, Lea County, New Mexico, and (ii) provide Conoco, Amerada Hess and Kaiser-Francis with copies of all logs and tests run and acquired in connection with drilling the Rio Blanco "4" Fed COM well No. 2 within six months of completion of said well.

To indicate your acceptance, please sign both copies of this letter and return one to the undersigned. My direct phone number is (915) 686-6712 and my fax number is (915) 686-6714. Please feel free to call.

Very truly yours,

SANTA FE ENERGY RESOURCES, INC.

Steven J. Smith
Senior Staff Landman

ACCEPTED AND AGREED TO
this 17th day of March, 1999.

CONOCO INC.

By:
Title: Asset Manager

Attachment
Conono009.doc

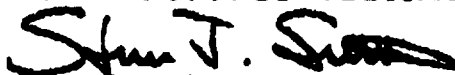
Central Division
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3551

**Santa Fe Energy Resources, Inc.****VIA FAX AND U.S. MAIL**
(915) 491-4387**March 16, 1999****Kaiser-Francis Oil Company
P. O. Box 21468
Tulsa, Oklahoma 74121-1468****ATTN: Mr. Wayne Fields****Re: Unorthodox Gas Well Location
Rio Blanco "4" Fed COM well No. 2
660' FSL & 660' FWL, Sec. 4, T-23-S, R-34-E
Lea County, New Mexico
SFERI Contract No. NM-30,256-002****Gentlemen:**

Reference is made to Santa Fe Energy Resources, Inc.'s request for administrative approval of the referenced unorthodox well location. As you know Kaiser-Francis Oil Company, Amerada Hess Corporation and Conoco Inc. each filed objections to the proposed location. Amerada Hess has agreed in writing to grant a waiver and Conoco has verbally agreed to do so as well.

In an effort to reach a mutually acceptable compromise, Santa Fe hereby offers a guarantee that, in exchange for a waiver from Kaiser-Francis of Santa Fe's unorthodox location in Section 4, Santa Fe will (i) grant a waiver of a mirror unorthodox location for the drilling of a Morrow test in Section 5, T-23-S, R-34-E, Lea County, New Mexico, and (ii) provide Kaiser-Francis copies of all logs and tests run and acquired in connection with the drilling of Santa Fe's Rio Blanco "4" Fed COM well No. 1 along with daily drilling reports and copies of all logs and tests run and acquired in connection with drilling the Rio Blanco "4" Fed COM well No. 2. Kaiser-Francis shall not show or provide copies of such daily drilling reports, logs and/or test results to any third party without Santa Fe's prior written consent.

To indicate your acceptance, please sign both copies of this letter and return one to the undersigned. Please also provide the names and phone numbers of the persons to receive the daily drilling reports and logs. My direct phone number is (915) 686-6712 and my fax number is (915) 686-6714. Please feel free to call.

Very truly yours,**SANTA FE ENERGY RESOURCES, INC.**
**Steven J. Smith
Senior Staff Landman****Central Division
530 W. Tulsa State 1330
Midland, Texas 79701
915/687-3581**

**Kaiser-Francis Oil Company
Waiver of Unorthodox Well Location
Rio Blanco 46" Prod COM 42
March 16, 1999
Page 2**

ACCEPTED AND AGREED TO
this 16 day of March, 1999.

KAISER-FRANCIS OIL COMPANY

By: J. W. [Signature]
Title: Research Engineering Manager

Attachment
Kylar002.doc



Santa Fe Energy Resources, Inc.

VIA FAX AND U.S. MAIL
(713) 609-4998

March 3, 1999

Amerada Hess Corporation
500 Dallas, Level 2
Houston, Texas 77002
Attn.: Mr. Raymond L. Wickett

Re: Unorthodox Gas Well Location
Rio Blanco "4" Fed COM well No. 2
660' FSL & 660' FWL, Sec. 4, T-23-S, R-34-E
Lea County, New Mexico
SFERI Contract No. - NM 30,256-002

Dear Mr. Wickett:

Reference is made to Santa Fe Energy Resources, Inc.'s request for administrative approval of the referenced unorthodox well location. As you know Amerada Hess Corporation, Conoco Inc. and Kaiser-Francis Oil Company each filed objections to the proposed location.

In an effort to reach a mutually acceptable compromise, Santa Fe hereby offers a guarantee that, in exchange for waivers from Amerada Hess, Conoco and Kaiser-Francis of Santa Fe's unorthodox location in Section 4, Santa Fe will (i) grant a waiver of a mirror unorthodox location for the drilling of a Morrow test in Section 5, T-23-S, R-34-E, Lea County, New Mexico, and (ii) provide Amerada Hess, Conoco and Kaiser-Francis with copies of all logs and tests run and acquired in connection with drilling the Rio Blanco "4" Fed COM well No. 2 within ~~six months~~ ^{SFS 60 days} of completion of said well.

To indicate your acceptance, please sign both copies of this letter and return one to the undersigned. My direct phone number is (915) 686-6712 and my fax number is (915) 686-6714. Please feel free to call.

Very truly yours,

SANTA FE ENERGY RESOURCES, INC.

Steven J. Smith
Steven J. Smith
Senior Staff Landman

ACCEPTED AND AGREED TO
this 4th day of March, 1999.

AMERADA HESS CORPORATION

By: *Raymond L. Wickett*

Title: *Attorney-in-fact*

Attachment
Amerada002.doc

Central Division
980 W. Texas Suite 1330
Midland, Texas 79701
915/687-3881